

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PARAMA 00445 182137Z

73

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-11

NSAE-00 RSC-01 L-02 EB-03 TRSE-00 SP-02 OPIC-02 PRS-01

DRC-01 /055 W

----- 062459

P R 181900Z SEP 74

FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC PRIORITY 1793

INFO AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY SANTO DOMINGO

AMEMBASSY GEORGETOWN

AMEMBASSY THE HAGUE

LIMITED OFFICIAL USE PARAMARIBO 0445

LIMDIS

EO 11652: NA

TAGS: EMIN EIND EFIN NS

SUBJECT: REYNOLDS NEGOTIATING DEPARTURE TERMS

REF: PARAMARIBO 0427

1. MODALITIES OF REVERSION REYNOLDS METALS EXPLORATION AND MINING CONCESSIONS (BAKHUIS AND COPPENNAME) TO SURINAM GOVT ROUGHED OUT DURING ALL-DAY TALKS SEPT 16 BETWEEN MINPRES ARRON, DEVELOPMENT MIN CAMBRIDGE AND R.C. ROBERTS, PRES REYNOLDS MINING CORP, ACCOMPANIED BY EXPLORATION MANAGER AND LOCAL REP WILLIAMS. ROBERTS ARRIVED LATE SUNDAY, DEPARTED YESTERDAY TO PRESENT PROPOSAL TO REYNOLDS BOARD OF DIRECTORS.

2. FOLLOWING EMERGED FROM MY DISCUSSIONS WITH ROBERTS AND WILLIAMS AT CONCLUSION NEGOTIATIONS:

A. ARRON AND CAMBRIDGE AGREED SUBMIT PROPOSAL TO COUNCIL  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARAMA 00445 182137Z

OF MINISTERS FOR REIMBURSEMENT REYNOLDS OF \$3.5 MILLION

COVERING INVESTMENT HERE "AND A BIT MORE." ALL REYNOLDS CONCESSION RIGHTS WOULD REVERT TO GOS. MINPRES AND CAMBRIDGE BELIEVE PROPOSAL WILL BE APPROVED BY COUNCIL SUBJECT RAISING NECESSARY FUNDS.

B. ARRON NOW PLANNING DEPART FOR THE HAGUE SEPT. 26 TO OBTAIN FUNDING FOR SEVERAL MAJOR PROJECTS, E.G. BRIDGES AND HIGHWAY REPAVING, FOR WHICH MIN DE GAAY FORTMAN PROMISED MONEY UNDER ACCELERATED 5-YEAR DEVELOPMENT PLAN IF PROJECTS CONSIDERED VIABLE. IF BUY-OUT PROPOSAL APPROVED HERE, ARRON WILL ASK GON TO INCLUDE IT AS PART OF PACKAGE. HE OPTIMISTIC THAT DUTCH WILL BE HELPFUL.

C. SHOULD AGREEMENT FALL THROUGH FOR LACK OF FUNDS, REYNOLDS WILL FOCUS ON 10 MILLION MT BAUXITE "ENTITLEMENT" CLAUSE IN BAKHUIS AGREEMENT WHICH, ROBERTS ASSERTS, WOULD REMAIN IN FORCE IF REYNOLDS INTERESTS NOT PURCHASED AND PERMIT COMPANY TO MINE AND EXPORT THAT AMOUNT INDEPENDENTLY OF ANY OBLIGATION BUILD ALUMINA PLANT. THIS RAISED AT MEETING BUT GOS NOT YET CONVINCED REYNOLDS INTERPRETATION CORRECT.

D. ARRON AND CAMBRIDGE FINALLY REALIZE 50 MILLION MT OF BAUXITE RESERVES STIPULATED IN ORIGINAL REYNOLDS-GOS AGREEMENT AS NECESSARY TO "TRIGGER" ALUMINA PLANT NOT PRESENT IN CONCESSION AREA. HOWEVER, COMPANY HAS AGREED CONTINUE EXPLORATION FOR TWO MORE MONTHS AND KEEP ON LABOR FORCE WHILE GOS AND REYNOLDS WORK OUT TERMS OF LATTER'S DEPARTURE.

E. COMPANY MUCH PREFERS CLEAN BREAK REPRESENTED BY \$3.5 MILLION SETTLEMENT TO UNCERTAIN "ENTITLEMENT" ROUTE WHICH, EVEN IF AGREED BY GOS, COULD NOT BE TAKEN IN ABSENCE PORT-TO-SITE RAILROAD ESTIMATED TO COST \$25 MILLION AND 2-3 YEARS TO BUILD. MOREOVER, COMPANY UNDERSTANDS, GON UNDER CURRENT AGREEMENT WITH GOS WILL NOT FINANCE RAIL CONSTRUCTION IN ABSENCE ALUMINA PLANT.

3. REYNOLDS CONFEREES SAID ARRON AND CAMBRIDGE REJECTED POSSIBILITY OF MINING BAKHUIS BAUXITE FOR OFF-SHORE PROCESSING (PARA 2 REFTTEL) DESPITE MORE IMMEDIATE REVENUES HARD-PRESSED ADMINISTRATION MIGHT BE ABLE POINT TO. GOS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARAMA 00445 182137Z

DETERMINED HAVE ALUMINA FACILITY IN WESTERN SURINAM, DEVELOPMENT OF WHICH IS GOVT. CANON. ATMOSPHERE OF TALKS VERY CORDIAL AND ARRON AND CAMBRIDGE PLEASED WITH PROSPECT OF ACQUIRING REYNOLDS INTERESTS.

4. STRIKING PESSIMISTIC NOTE, ROBERTS DEPLORED UNCERTAINTIES FOR FOREIGN INVESTMENT APPROACHING INDEPENDENCE HAS BROUGHT AND EXPRESSED CONCERN FOR ALCOA'S POSITION HERE. HE OBSERVED

CHARACTER OF PRESENT GOS "WORRIES ME."

5. COMMENT: WELCOME ACKNOWLEDGMENT BY GOS THAT REQUISITE \$50 MILLION MT BAUXITE ABSENT IN BAKHUIS CONCESSION WAS INDISPENSABLE KEY TO DEAL AGREED IN PRINCIPLE BY ARRON, CAMBRIDGE, COMPANY REPS. ONCE THIS RECOGNIZED, PROSPECTS FOR UNEMBITTERED WITHDRAWAL OF REYNOLDS FROM LONG-TROUBLED RELATIONSHIP MUCH IMPROVED. WHILE WE REGRET PROSPECTIVE PULL-OUT OF MAJOR U.S. CONCERN, IT WAS IN FACT ALMOST INEVITABLE GIVEN ITS DIFFERENCES WITH GOS OVER ECONOMIC FEASABILITY ITS UNDERTAKING HERE, COMPANY'S MISGIVINGS OVER INVESTMENT CLIMATE, AND RELATIVE ATTRACTIONS OF OTHER LOCALES SUCH AS BRAZIL AND AUSTRALIA. IF GOS FINANCING FOR PURCHASE ITS INTERESTS UNAVAILABLE, WE SUSPECT THAT RATHER THAN AWAIT CHANCY "ENTITLEMENT" EXPLOITATION TO DEVELOP, REYNOLDS WILL ENDEAVOR SELL THESE RIGHTS TO OTHERS WITH GOS APPROVAL.

6. OF COURSE, DEGREE OF GON RECEPTIVITY TO ARRON'S REQUEST FOR ASSISTANCE REMAINS TO BE SEEN. IN ADDITION TO \$3.5 MILLION HE NEEDS FOR RIGHTS PURCHASE, HE WILL VERY LIKELY ASK FOR HELP IN GOING AHEAD WITH ALUMINA PLANT - BASED ON INDEPENDENT DUTCH ESTIMATES THAT SUFFICIENT BAUXITE PRESENT IN BAKHUIS CONCESSION TO SUPPORT SUCH A FACILITY. (DUTCH REACTION COULD PARTLY HINGE ON WHETHER ARRON ENVISAGES STATE-OWNED MINING/ PROCESSING COMPLEX OR WHETHER CONCESSION TO BE MADE AVAILABLE TO PRIVATE CONCERN - PERHAPS DUTCH - WILLING EXPLOIT BAUXITE ON BASIS DUTCH CONSULTANTS'S MORE OPTIMISTIC FIGURES.)

7. REYNOLDS DEPARTURE HAS SOME IMPLICATIONS FOR ALCOA. SURINAM'S BIGGEST BAUXITE PRODUCER HAS REJECTED PAST GOS FEELERS REGARDING POSSIBILITY OF TAKING OVER REYNOLDS CONCESSION, CHIEFLY ON BASIS INTER-COMPANY RELATIONSHIPS. WITH THIS CONSIDERATION NOW TO BE REMOVED, IF DUTCH HELP INSUFFICIENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 PARAMA 00445 182137Z

FEELERS COULD BECOME MORE INSISTENT AT TIME WHEN ALCOA UNPREPARED INCREASE INVESTMENT, AND CERTAINLY NOT TO EXTENT OF BUILDING NEW ALUMINA PLANT.  
FLANEGIN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPLORATION, BAUXITE, MINING INDUSTRY, NEGOTIATIONS, MINING CONCESSIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 SEP 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974PARAMA00445  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740262-0095  
**From:** PARAMARIBO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740935/aaaabdpi.tel  
**Line Count:** 158  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** PARAMARIBO 0427  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REYNOLDS NEGOTIATING DEPARTURE TERMS  
**TAGS:** EMIN, EIND, EFIN, NS, REYNOLDS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005